

Message Text

CONFIDENTIAL

PAGE 01 TEGUCI 01918 242321 Z

60

ACTION ARA-17

INFO OCT-01 ADP-00 L-03 NSC-10 CIAE-00 INR-10 NSAE-00

PA-03 RSC-01 USIA-12 PRS-01 EB-11 COME-00 INT-08

TRSE-00 RSR-01 /078 W

----- 029583

P R 242253 Z MAY 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 4426

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 1918

E. O. 11652: GDS

TAGS: BDIS ENRG HO XK

SUBJ: PETROLEUM - ASSURANCE OF SUPPLIES TO CENTRAL AMERICA

GUATEMALA ALSO FOR ROCAP

REF: A) SAN SALVADOR 1936

B) GUATEMALA 2463

1. SUMMARY: TEXACO REPRESENTATIVES TO BEGIN DISCUSSION WITH GOH ON REFINERY PRICE FREEZE. TEXACO ADAMANT IT CANNOT CARRY BURDEN OF LOSSES BUT WILLING CONSIDER ANY SOLUTION TO PROBLEM. END SUMMARY.

2. IN HONDURAS DISTRIBUTORS HAVE BEEN BEARING BRUNT OF PRICE SQUEEZE DURING THE LAST 2 YEARS. TEXACO REFINERY WAS ABLE TO PASS ON PRICE INCREASE TO DISTRIBUTORS WHO IN TURN WERE NOT ALLOWED BY GOH TO INCREASE PRICE DESPITE REPEATED ATTEMPTS TO OBTAIN GOVERNMENT PERMISSION. ON
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEGUCI 01918 242321 Z

MAY 19 GOH FROZE REFINERY PRICES TO FEBRUARY 28 LEVEL AND TURNED DOWN PRICE INCREASE REQUEST BY DISTRIBUTORS. ACCORDING TO DISTRIBUTORS, PRICE FREEZE WITH MAXIMUM ECONOMY WILL ALLOW DISTRIBUTORS TO SLOWLY REGAIN MORE

NORMAL PROFIT LEVELS. MAIN BURDEN, HOWEVER, WILL BE SHIFTED TO REFINERY.

3. ALTHOUGH DECREE FREEZING REFINERY PRICES CONTAINS PROVISION INDICATING THAT GOH WOULD ALLOW PRICE INCREASE IF REFINERY CAN CONVINCE GOVERNMENT THAT INTERNATIONAL PRICE DEVELOPMENTS JUSTIFY INCREASES, IT IS DOUBTFUL THAT GOH WILL ALLOW INCREASES IN THE IMMEDIATE FUTURE. GOVERNMENT HAS BEEN UNDER INCREASED CRITICISM FOR GENERAL PRICE INCREASES. TRANSPORTATION GROUPS ARE ALREADY PLEADING FOR INCREASES IN FARES USING AS JUSTIFICATION INCREASED COSTS OF REPLACEMENT PARTS. TRANSPORTATION COSTS, PARTICULARLY URBAN TRANSPORTATION COSTS, ARE SENSITIVE FROM POLITICAL STANDPOINT AND GOH IS NOT ABOUT TO ALLOW ANY SHARP INCREASE IN THE IMMEDIATE FUTURE. AMBASSADOR PREVIOUSLY INFORMALLY DISCUSSED PETROLEUM PRICE SITUATION WITH MINISTER OF FINANCE ACOSTA WHO DODGED ISSUE AND SAID HE WAS "STUDYING" IT. SUBSEQUENTLY, GOH FROZE REFINERY PRICES. EVIDENT GOH CONSIDERS PRICE INCREASE TOO POLITICAL AT THIS TIME. ACOSTA AND MINECON BENNATON APPEAR TO BE FULLY FAMILIAR WITH INTERNATIONAL PETROLEUM SITUATION BUT APPEAR ADAMANT AGAINST PRICE INCREASES THIS TIME.

4. TEXACO LATIN AMERICAN GENERAL MANAGER, JOHNSTON AND HONDURAS MANAGER, MACDONALD, CALLED ON AMBASSADOR RYAN 5/24/73 PRIOR TO BEGINNING THEIR CONSULTATIONS WITH GOH. ACCORDING JOHNSTON, TEXACO HAS INSTRUCTED HIM TO TAKE VERY FIRM POSITION THAT IT CANNOT BEAR APPROXIMATELY \$2 MILLION YEARLY LOSS CAUSED BY PRICE FREEZE. TEXACO TAKING COMPLETELY FLEXIBLE POSITION CONCERNING POSSIBLE SOLUTIONS. IF GOH WANTS TO PROCURE OWN CRUDE SUPPLY REFINERY TEXACO WOULD PROCESS IT ON A FEE BASIS. WHEN IT WAS POINTED OUT THAT SUSPENSION CRUDE SUPPLIES MIGHT LEAD TO NATIONALIZATION, JOHNSTON REPLIED THAT WAS RIGHT OF GOH UNDER INTERNATIONAL LAW. TEXACO DOES NOT WANT NATIONALIZATION BUT IT CANNOT SUPPLY REFINERY AT LOSS SINCE

CONFIDENTIAL

PAGE 03 TEGUCI 01918 242321 Z

INTERNATIONAL CRUDE SUPPLY SITUATION HAS MADE IT IMPOSSIBLE TO CUSHION LOSS ON REFINERY OPERATIONS WITH PROFITS FROM OTHER SEGMENTS OF THEIR OPERATIONS. JOHNSTON WILL VISIT GUATEMALA NEXT. HE INDICATED THAT TEXACO FOUND GOG PROPOSAL TO SUSPEND PRICE INCREASE UNTIL MARCH, 1974 TO BE UNACCEPTABLE.

5. COMMENT: AT THIS STAGE EMBASSY BELIEVES TEXACO SHOULD CARRY THE BALL IN DISCUSSIONS WITH GOH. THERE IS ALWAYS POSSIBILITY SOME SORT ACCEPTABLE SHORT- RUN ARRANGEMENT COULD BE WORKED OUT BETWEEN OIL COMPANIES AND GOH. TEXACO APPEARS HAVE FLEXIBLE POSITION AS TO RANGE OF POSSIBLE SOLUTIONS BUT TAKING HARD LINE ON CONTINUING BEAR LOSSES. TEXACO QUITE CAPABLE POINTING OUT TO GOH REALITIES OF PETROLEUM SUPPLY SITUATION. AT THIS TIME EMBASSY BELIEVES THAT ANY DIRECT INTERVENTION, OTHER THAN INFORMAL CONTACTS DESCRIBED PREVIOUSLY, WOULD NOT BE SUCCESSFUL.

RYAN

CONFIDENTIAL

NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TEGUCI01918
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: TEGUCIGALPA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730554/aaaajtry.tel
Line Count: 129
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 SAN SALVADOR 1936, 73 GUATEMALA 2463
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by willialc>; APPROVED <06-Feb-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980305
Subject: PETROLEUM - ASSURANCE OF SUPPLIES TO CENTRAL AMERICA
TAGS: BDIS, ENRG, HO, XK, BDIS
To: ARA
CARACAS
GUATEMALA
MANAGUA
MEXICO
PANAMA
SAN JOSE

SAN SALVADOR
SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005